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April 3, 2006

**VIA ELECTRONIC FILING**

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* Submission Regarding Petition of ACS of Anchorage, Inc. Pursuant to Section 10 of the Communications Act of 1934, as amended, for Forbearance from Sections 251(c)(3) and 252(d)(1) in the Anchorage LEC Study Area, WC Docket No. 05-281

Dear Ms. Dortch:

ACS of Anchorage, Inc. ("ACS") respectfully submits this *ex parte* letter to the Federal Communications Commission ("FCC" or "Commission") in the aforementioned proceeding. ACS is filing this letter to supplement the record with information that has been made available since the February 23 filing of ACS's Reply Comments and to respond to reply comments that have been filed in the docket. General Communication, Inc. ("GCI") confirms in its recent earnings call that it is a firmly entrenched, facilities-based competitor in Anchorage and is able to serve substantially all customers in the market over its own facilities. Further, ACS has observed additional evidence that GCI is not impaired in accessing customers in multiple dwelling units ("MDUs") without UNEs. Finally, the arguments made by CLECs in their recently filed reply comments opposing ACS's Petition do not offer any support or relevant evidence that would refute ACS's demonstration that significant facilities-based competition exists in Anchorage, justifying forbearance.

## I. GCI'S EARNINGS CALL PROVIDES FURTHER EVIDENCE OF THE FULLY DEVELOPED FACILITIES-BASED COMPETITION IN ANCHORAGE.

Since ACS filed the Reply Comments, GCI has released further information regarding its cable telephony deployment plans, which demonstrates its ability to serve most of its customers without access to ACS's UNEs either today or in the very near future. In its March 2, 2006 earnings call, GCI provided additional information about its cable telephony network.

At the end of 2005, GCI had 22,000 digital local lines in service, and GCI plans to convert 20,000 more lines in Anchorage this year.[1] GCI's CEO predicts that within two-and-a-half years, GCI could serve substantially all of its customers over its own facilities. GCI concedes that it could expedite the process if GCI brought in outside workers.[2] Regardless of when the conversion is absolutely complete, the current deployment of GCI's facilities justifies forbearance. GCI stated on the call that 90% of the homes it passes with cable infrastructure will be upgraded by the end of this year.[3] Given its wide-reaching cable facilities and rapidly increasing digital local service, GCI appears to have the ability to serve all customers within a commercially reasonable timeframe.[4]

Further, GCI added 1000 local access lines during the fourth quarter of 2005, bringing its year-end total to 112,900 in Alaska.[5] GCI noted that it increased its deployment of digital local phone service to serve its customers because reliance on UNEs became less economically attractive.[6] GCI boasted that despite rising UNE costs during this period, GCI's local service revenues increased 18%.[7] This rapid transition away from ACS's UNEs makes clear that GCI's varied and extensive network enables it to serve its customers economically over its own facilities.

GCI's ability to transfer these customer to its own network contradicts the argument made in the Reply Comments of Covad Communications Group, Inc., Nuvox Communications, Inc., and XO Communications, Inc. ("Covad") that there is less facilities-based competition in Anchorage than in Omaha.[8] While the number of GCI customers served over ACS's UNEs today may be higher than the number in Omaha, this comparison does not reflect the number of customers GCI could serve over its own facilities, but chooses to serve via UNEs. Contrary to Covad's argument that GCI lacks Cox's extent of facilities, GCI's own reply

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1 Transcript of Q4 2005 General Communication Earnings Conference Call at 4, 7, 9 (Mar. 2, 2006) (attached as Exhibit 1) ("Transcript").

2 *Id.* at 7.

3 *Id.* at 10.

4 *See* Reply Comments of ACS of Anchorage, Inc. in Support of its Petition for Forbearance from Sections 251(c)(3), *Petition of ACS of Anchorage, Inc. Pursuant to Section 10 of the Communications Act of 1934, as Amended, for Forbearance from Sections 251(c)(2) and 252(d)(1) in the Anchorage LEC Study Area*, WC Docket No. 05-281, at 32-33 (filed Feb. 23, 2006) ("Reply Comments") (noting that the FCC has determined that a competitor's network need not cover 100% of end-user locations before forbearance is warranted) .

5 Transcript at 4.

6 *Id.*

7 *Id.*

8 Reply Comments of Covad, *Petition of ACS of Anchorage, Inc. Pursuant to Section 10 of the Communications Act of 1934, as Amended, for Forbearance from Sections 251(c)(2) and 252(d)(1) in the Anchorage LEC Study Area*, WC Docket No. 05-281, at 12.

comments demonstrate that it has the ability to serve a substantial number of its own customers, and likely some of ACS's customers, without any reliance on ACS's network.[9]

Additionally, GCI's recent statements to the Regulatory Commission of Alaska ("RCA") make clear that GCI has the ability to serve customers using its own facilities, but it still prefers to retain the right to use a UNE-based strategy. The RCA granted GCI a certificate of public convenience and necessity ("CPCN") for local exchange service in certain rural Alaskan markets based on GCI's representation that it can serve those areas without the use of UNEs. Subsequently, GCI requested UNEs under Section 251(c) in these markets. ACS filed a motion with the RCA to review GCI's compliance with the CPCN. In response, GCI states that "GCI demonstrated its ability and fitness to serve the areas set forth in the [CPCN application] without access to interconnection services under section 251(c)," but that "GCI [has not] in any [sic] waived its right to request such services . . . in the future to improve its ability to effectively compete with ACS or any of the rural LECs."[10] In other words, even where GCI does not need access to UNEs, it still wants such access. Such is the case in Anchorage.

In addition to its cable telephony and broadband networks, GCI is also planning to increase its interests in wireless networks in Alaska through its pending 75-80% ownership purchase of Alaska DigiTel Wireless Communications.[11] This network provides GCI yet another platform to compete for local exchange customers without the use of ACS's UNEs.[12] GCI also continues to benefit from its long-term distribution agreement with Dobson Communications to provide wireless service to GCI customers throughout Alaska.[13] All of these revelations by GCI management support ACS's petition, and contradict the picture GCI attempts to paint in its reply comments of a vulnerable fledgling competitor unable to survive without access to ACS's network at regulated prices.

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9 *See* Reply Comments at 27.

10 GCI Motion to Dismiss Petition, *In the Matter of the Investigation Into the On-Going Compliance of General Communication, Inc. With AS 42.05.241 with Regard to Study Areas Certificated in Docket U-05-4*, RCA Docket No. U-06-023, at 2 (filed Mar. 20, 2006) (attached as Exhibit 2).

11 Transcript at 5.

12 *See* Reply Comments at 31 (noting FCC findings that wireless service is a substitute for local and long distance service).

13 GCI, *2004 Annual Report on Form 10-K*, at 15 (March 15, 2005), *available at* http://www.gci.com/investors/gci20041 0kfinal.pdf (last visited April 3, 2006).

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## II. ACS HAS GATHERED ADDITIONAL EVIDENCE OF GCI'S ABILITY TO SERVE MDU CUSTOMERS.

Contrary to its argument in its Opposition to ACS's Petition for Forbearance,[14] GCI is not impaired in accessing its own customers in MDUs.[15] During a recent customer site visit, an ACS general manager observed GCI facilities in the telecommunications room of the Alpine Apartments, a large MDU in the Central wire center area comprised of 6 complexes, containing a total of 386 apartments. Attached is a picture of GCI's equipment at that location.[16] GCI appears to have the capability to access large, legacy buildings. Thus, the only obstacle GCI must surmount to serve MDU customers is the same one faced by ACS—obtaining the customer's order. GCI has demonstrated neither that there is any universal problem accessing MDUs, nor that it needs access to ACS's UNEs to serve MDUs. Therefore, the Commission should reject GCI's request to treat MDUs as a separate market.

## III. THE REPLY COMMENTS' ARGUMENTS DO NOT REFUTE GCI'S COMPETITIVE PRESENCE IN ANCHORAGE.

Eschelon Telecom, Inc. ("Eschelon"), Covad, and GCI fail to provide any arguments that refute ACS's evidence of the facilities-based competition in Anchorage. *First*, Eschelon contends that no CLEC can self-deploy transport or DS-1 loops.[17] Eschelon is mistaken because GCI does not take UNE transport because it already self-provides it, and as ACS demonstrates in its Reply, GCI simply chooses not to provide DS-1 service using its own facilities, though it has several options for doing so.[18] Eschelon also asserts that new entrants cannot economically enter the market but fails to address the fact that GCI and alternative network providers have penetrated the entire Study Area.[19]

*Second*, Covad argues that forbearance is inappropriate because of the lack of wholesale competition in the Anchorage market. As discussed in ACS's Reply, retail competition is the proper focus of forbearance analysis.[20] By definition, ACS is the only provider of regulated UNEs in the market. But GCI's extensive facilities and retail market share,

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[14] Opposition of General Communication, Inc. to the *Petition for Forbearance from Sections 251(c)(3) and 252(d)(1) of the Communications Act Filed by ACS of Anchorage*, WC Docket No. 05-281, at 27-28.

[15] *See* Reply Comments at 15-16 (discussing the facilities-based competition MDU customers enjoy).

[16] Attached as Exhibit 3.

[17] Reply Comments of Eschelon Telecom, Inc., *Petition for Forbearance from Sections 251(c)(3) and 252(d)(1) of the Communications Act Filed by ACS of Anchorage*, WC Docket No. 05-281, at 5.

[18] *See* Reply Comments at 38-39.

[19] Reply Comments of Eschelon Telecom, Inc. at 4-5.

[20] Reply Comments at 20 (citing *In the Matter of Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Omaha Metropolitan Statistical Area*, WC Docket No. 04-223, Memorandum Opinion and Order, FCC 05-170, at ¶ 67 (rel. Dec. 2, 2005)).

in addition to the alternative networks offered by intermodal providers, are sufficient to justify forbearance.[21]

*Third*, GCI argues that USTA overstates the burdens imposed on ACS as an incumbent and as a carrier of last resort and that ACS faces less risk than GCI in making new network investments due to USF support payments that are based on embedded costs.[22] However, through its successful entry and deployment of its own voice facilities throughout Anchorage, GCI has demonstrated that it has the ability to overcome the risks of network investment. By maintaining UNEs in smaller, high-cost areas within Anchorage, GCI seeks to minimize its risk and improve its profit margins in its already profitable local exchange business. And ACS does not qualify for high-cost loop support or local switching support in Anchorage (and if it did, GCI would be entitled to the same amount per line it deployed). None of these arguments can overcome the powerful evidence of GCI's competitive achievements and dominant presence in this market. GCI cannot be considered "impaired" under any standard.

* * * * *

ACS urges the Commission to grant the relief requested in ACS's Petition and Reply Comments. The reply comments of GCI and other CLECs in this proceeding do not rebut the overwhelming evidence in the record that supports a finding that the conditions for forbearance under Section 10 of the Act have been met in the Anchorage study area.

Respectfully submitted,

*/s/ Karen Brinkmann*

Karen Brinkmann
Elizabeth R. Park
Anne Robinson*

Enclosures

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[21] *Id.* at 29.

[22] Reply Comments of General Communication, Inc., *Petition for Forbearance from Sections 251(c)(3) and 252(d)(1) of the Communications Act Filed by ACS of Anchorage*, WC Docket No. 05-281, at 17.

* Licensed to practice law in California.

**CERTIFICATE OF SERVICE**

I, Anne W. Robinson, hereby certify that on this 3rd day of April 2006, served a true copy of the foregoing *Ex Parte* Submission by e-mail upon the following:

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Anne W. Robinson

Anne W. Robinson

# Exhibit 1

Thomson StreetEvents℠

# Conference Call Transcript

## GNCMA - Q4 2005 General Communication Earnings Conference Call

Event Date/Time: Mar. 02. 2006 / 2:00PM ET

## CORPORATE PARTICIPANTS

**John Lowber**
*General Communication - CFO*

**Ron Duncan**
*General Communication - President & CEO*

## CONFERENCE CALL PARTICIPANTS

**Ian Zaffino**
*Oppenheimer - Analyst*

**Anthony Klarman**
*Deutsche Bank - Analyst*

**Ted Henderson**
*Stifel Nicolaus - Analyst*

**James Lee**
*America's Growth Capital - Analyst*

**Jonathan Schildkraut**
*Jefferies - Analyst*

**Ari Moses**
*Kaufman Brothers - Analyst*

**James Kern**
*Regiment Capital - Analyst*

## PRESENTATION

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**Operator**

At the request of the Company, your conference is being recorded, and all lines are ina listen-only mode. And now I would like to turn it over to our host, Mr. John Lowber. Sir, please go ahead.

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**John Lowber** - ***General Communication - CFO***

Okay. Thank you very much, and thank you for joining us today. We appreciate it. I'm John Lowber, the Company's Chief Financial Officer. Ron Duncan, our President and CEO, is here with us today. I also have Dana Tindall, our Senior VP in charge of Legal, Regulatory and Governmental Affairs, and her assistant, Tina from Washington. We have got Fred Walker, our Chief Accounting Officer, and Dana, our Corporate Counsel, and also Bruce Broquet, our VP of Finance. We will all be available to participate in the Q&A session, which will follow my initial comments.

If you don't have a copy of our detailed press release, you can find it on our website. The conference call is being recorded and will be available for playback for 72 hours beginning at 4:00 PM Eastern time today. The playback number is 800-216-6079 with an access code of 7461.

In addition to the conference call, you may access the conference through the Internet. To access the call via net conferencing, log onto our website at www.gci.com and follow the instructions. The webcast will be available for replay for the next two weeks.

Some of the statements made by GCI in this presentation are forward-looking in nature. Actual results may differ from those projected in forward-looking statements due to a number of factors. Additional information concerning such factors can be found in GCI's filings with the Securities and Exchange Commission.

2005 was another great year. We accomplished a lot to further our competitive positioning in the market as well as in financial terms. On the financial side, we exceeded our financial goals and established new records for revenues, operating cash flow and earnings. Our revenues were up 4.6% to 444.3 million. Our adjusted EBITDA, excluding our refinancing costs, totaled almost 152 million, an increase of 9.4% over the prior year, and our net income increased to 21.6 million or $0.38 per diluted share. We refinanced our senior facility during the year, reducing our interest rates and increasing our flexibility and made continued progress on our stock repurchase program, including retiring all the remaining outstanding preferred stock. Some notable non-financial accomplishments during the year included the reorganization of the Company along customer lines; deployment of the most comprehensive IT project in the Company's history; extension of our carrier contracts, and continued deployment of our digital local telephone service, among others.

Fourth-quarter revenues were up 7.5% over the prior year and were down seasonally only slightly on a sequential basis. Cash flow was up dramatically on both a current year versus prior year and sequential basis, primarily due to the settlement with AT&T that was accomplished during the quarter. Absent the approximately 7.5 million net for the settlement, EBITDA was still up almost 14% over the prior year quarter and was down less than 4% sequentially.

Long distance. The long distance operations are still benefiting by the strength of our wholesale business. Long distance revenues were up 2.6% for the full year over the prior full year. Fourth-quarter revenues were up almost 7.8% as compared to the fourth quarter of 2004 and were down 3.6% sequentially. Total billable minutes carried in 2005 increased 14.9% as compared to 2004. Fourth-quarter billable minutes were up 19.6% as compared to the fourth quarter of 2004 and were down approximately 7.6% compared to the 376.6 million minutes we carried in the seasonally strong third quarter. The number of customers making calls in December decreased by almost 6000 compared to the prior year quarter and 6200 on a sequential basis. The decrease is somewhat suspect due to our conversion to a new customer service and provisioning system during the quarter, so we're not sure that the counts are completely comparable, particularly in light of the underlying metrics we are experiencing. We will have a better feel for the customer accounts as we put a few more months behind this using our new systems.

We had 85,300 active long distance customers at year-end according to our new system as compared to 91,270 a year ago and 91,500 at the end of August of 2005, which was the last full month under the old system. Our average rate per minute totaled $0.0931 during the fourth quarter as compared to 0.0966 a year ago and $0.0921 in the third quarter. Our average rate per minute is down 3.6% compared to last year and is up 1% when compared to the third quarter. The rate decreases have historically been accompanied by decreases in our distribution costs, which consist mostly of access charges, and this period has been no exception. Factoring out the effect of the AT&T settlement, which served to reduce long distance distribution costs by $9.1 million during the quarter, our long distance margins of 69.6% for the quarter were comparable to the prior year quarter but were down 83 basis points sequentially.

The strength of the switched minutes business is being partially mitigated by a plateau that we are experiencing in terrestrial and undersea fiber, satellite broadband, private line and data revenues. These revenues decreased 5.4% compared to the prior year quarter to 26 million, and we are down 1.4% on a sequential basis. The decreases are primarily due to rate compression in our managed broadband segment. These revenues represented approximately 40% of long distance revenues during the quarter.

Long distance EBITDA, excluding the effect of the settlement, totaled 19.9 million for the quarter as compared to 17.3 million for the same quarter of the prior year, representing an increase of approximately 15.5%. On a sequential basis, long distance EBITDA decreased approximately 18%. The sequential decrease is due to the seasonal decrease in minutes carried, accompanied by margin compression and increases in operating costs relating primarily to bad debt expense.

Cable television. Our cable and entertainment operations finished the year with steady financial results. Although full-year revenues were up 3.8%, EBITDA was down slightly due to increases in programming and operating costs. Fourth-quarter revenues were up 2.7% compared to the same quarter of last year and were up the same percentage on a sequential basis. Rates on an equivalent subscriber basis were up 1.9% to $82.88 compared to $81.33 a year ago and were up just over 1% on a sequential basis. We ended the year with approximately 137,000 subscribers as compared to 134,700 that we had a year ago and 136,400 that we had at the end of last quarter.

EBITDA from our cable operations totaled approximately 11.3 million for the fourth quarter of 2005 versus 12.25 million for 2004, representing a decrease of 7.6%, although we did experience a sequential increase of 6.6% over the prior quarter. Our gross profit margins decreased 402 basis points compared to the prior year quarter and decreased 99 basis points sequentially. The decrease in fourth-quarter EBITDA from the prior year is due to increases in programming costs affecting gross margins and increases in operating costs. Advertising revenues were particularly strong in the prior year quarter as well, and that obviously affected the comparability.

Among other things, the cable business is focused on selling additional digital features. At year-end we had approximately 53,700 digital special interest subscribers compared to the 46,100 that we had a year ago. At year-end we had approximately 11,700 combination high-definition DVR boxes deployed in our HD markets, which now includes Fairbanks and Juneau in addition to Anchorage and the Matanuska Valley. We're currently offering up to 14 high-definition channels and dual tuner DVRs in those markets.

Local services. Our local services business turned up another 1000 access lines during the quarter, and at year-end we were serving approximately 112,900 access lines that we estimate represents a statewide market share of approximately 26%. We added approximately 800 lines during the full year in spite of a reduction of 1100 Internet access lines. Our local services revenues increased approximately 18% over the fourth quarter of last year and were up 7.2% sequentially. Our local services revenues totaled almost 52 million for all of 2005, which represents an increase of 10.4% over 2004 revenues of 47 million. The EBITDA from local services improved from a negative 375,000 during the fourth quarter of last year to a positive 1.74 million in the same quarter of this year and from just about breakeven in the prior quarter.

The improvements in local services results were accomplished in spite of increases in local loop rental costs in all of our markets. The increased costs were mitigated by our continued deployment of digital local phone service, which allows us to avoid loop rental and wholesale costs and provide much improved service to our customers. The local services results were enhanced by an accrual of approximately 1 million in universal service revenues during the recent quarter. At year-end we had approximately 22,000 DLPS lines in service, and we hoped to convert an additional 20,000 lines to our old facilities during 2006. Long distance access cost savings not reflected in local services results totaled approximately 6.8 million in 2005 and 7.1 million in 2004.

Residential customers currently represent about 61% of our lines, business customers approximately 36%, and Internet access customers approximately 3%. About 86% of our lines are provided on our own facilities or using leased local loops. Approximately 6% are provided using UNE-P.

There has been a little activity on the legal and regulatory front. During the last call, I noted that RCA had approved our application to provide local telephone service in five existing service areas and competition with the existing service providers, which included 15 additional communities, but that we were still waiting for approval to offer competitive local service in six additional communities using only our cable facilities. The RCA recently authorized us to provide service in those additional six areas, but we will be required to provide service throughout the service areas.

We have reached the end of our efforts to gain authority to provide local service in the Matanuska Valley and Eagle River areas. In January of this year, we submitted an interconnection agreement by arbitration to the RCA for their approval. That approval was recently received, so after two years of effort, we now have the regulatory approvals necessary to expand our local services into that market.

In September the incumbent ILECs serving the Anchorage market filed a petition with the SEC seeking forbearance from a requirement of the telecom act that it provide competitors access to unbundled network elements. We will obviously oppose this filing, but at present we don't know how it is going to sort out.

Internet Access Services. The Internet access business unit turned in another solid performance. Revenues were up nicely during the year, recording a 16.2% increase to over 30 million. Revenues for the fourth quarter totaled almost 8 million as compared to 6.4 million in the same quarter of the prior year, representing an increase of 23.4%. Revenues were up 3.9% on a sequential basis. Internet access EBITDA totaled a record 3.7 million for the fourth quarter compared to 3.1 million a year ago and 3.2 million in the preceding quarter.

For the full year, Internet EBITDA increased by approximately 3.2 million or more than 33%. Our average revenue per cable modem was $29.37 per month as compared to $30.48 at the end of the third quarter and $31.94 at the end of a year ago quarter. Our average rate per modem is declining as expected as we're working to convert our dial-up customers to our entry-level modem service. Although the average rate is declining, total cable modem revenues continue to increase due to the increase in the number of modems in service.

We deployed another 3200 cable modems during the quarter, and we now have approximately 77,400 units in service, representing an increase of 11,900 over the last 12 months. We also have approximately 1100 DSL subscribers. Almost all of our cable homes passed are able to subscribe to our cable modem service.

At year-end we were serving approximately 16,500 dial-up Internet access accounts, down from the 36,100 and 18,800 we had a year ago and last quarter respectively. This continued decline is expected as more and more people are giving up their dial-up service in favor of broadband applications.

During the quarter we rolled out new services, including a wireless Internet access product in the Fairbanks market and a security package called Security Guard that offers a firewall, antivirus protection, parental controls, anti-spyware, and a pop-up blocker among other things.

Other items of interest. Sarbanes-Oxley. We finished year two of the Sarbanes-Oxley Section 404 compliance, and again it looks like we have got no material weaknesses in our internal controls. Stock repurchase program. We continued our stock repurchase program during the fourth quarter and up to the January blackout period. During the period subsequent to our last call, we acquired another 395,000 shares at an average price of $10.03. On a cumulative basis, we have now acquired 6.6 million shares of our common stock at an average price of $8.76 per share, plus another 10 million of preferred. The Board of Directors has authorized us to continue the repurchase plan at a rate of approximately 5 million per quarter on an indefinite basis subject to satisfactory market conditions, available resources, and continued financial performance by the Company. The board has also authorized us to purchase an extra $10 million worth of shares during the first half of the year.

In addition, we will also use any proceeds from stock option exercises to repurchase shares, once again subject to the caveats I just mentioned.

MCI credit. We're just about reaching the end of the story on the MCI credit. During the year we used a total of 3.3 million of our remaining credit with MCI, leaving a remaining unused balance of $370,000 at year-end. We expect to recover the remaining balance during the first quarter of 2006, and we used only a negligible amount during the fourth quarter.

Wireless. We're continuing to ramp up on the wireless front. At year-end we estimate we had almost 16,000 customers and reported approximately 2.6 million in revenues during the quarter. We estimate our ARPU was $44.51. Last quarter we had 14,000 customers, 1.9 million in revenues and ARPU of $43.76. We expect our wireless numbers to improve as we're increasing our marketing emphasis on our wireless products.

We are going to further expand the breadth of our wireless participation in the Alaska market through the Digi-Tel investment that we announced in December. We plan to invest approximately 29.5 million in exchange for ownership of 75 to 80% of the Company. The transaction is expected to close following regulatory approval, but we're not sure when the approval will be forthcoming. We consider the investment an incremental way to participate in the future growth of the wireless industry in Alaska. The investment will be funded with cash on hand or if necessary or we consider desirable through a borrowing under our revolving credit facility.

The company reorganization. Effective with the new year, we fully implemented the reorganization plan that we discussed last quarter. We're now organized along customer lines as opposed to the historical product lines that had evolved over the years as we entered new businesses. Since segment reporting requires that we report our segments consistent with the way that we run our business, we will be reporting our results under the new structure beginning in the first quarter. Our new structure will include consumer, commercial, network access and managed broadband segments.

Guidance and economic prospects. A year ago I indicated we expected to generate revenues of 430 to 440 million and cash flow of 144 to 146 million, including the effect of the MCI receivable recovery. We exceeded the high end of our revenue guidance by 4.3 million and the low-end of our cash flow guidance by $450,000, excluding the 7.5 million in net settlement proceeds. If you include the settlement proceeds, we exceeded the high end of our guidance quite handily by approximately 6 million. We ended the year with favorable momentum in all areas of our business. The economy in Alaska continues to be strong, and we are well positioned to participate in any upsides resulting from any large projects that might evolve. It is looking fairly promising the construction of a pipeline connecting Alaska's North slope gas reserves to the lower 48 markets. It may become a reality.

With respect to the first quarter of 2006, we expect to generate revenues in the range of 112 to 114 million. We expect to generate cash flow in excess of 37 million. For the full year, we expect to generate revenues of 450 to 460 million and cash flow of approximately 150 to 154 million before non-cash charges associated with the new requirement to expense stock options beginning this year. We expect non-cash stock option expense to total 2.5 to 3 million for the year.

As usual, we expect the first quarter to be the weakest of the year, and we expect the results to ramp up as the year progresses.

Liquidity and capital expenditures. We are in fine shape with respect to liquidity. We began the year with more than 30 million in cash on the balance sheet. We ended the year with more than 44 million in cash and our 55 million revolver available, except for approximately 5.5 million in outstanding letters of credit. Our senior facility will require only 1.6 million in principal payments during 2006. We don't expect to draw down our facility during 2006 as we expect to generate free cash flow during the year, most of which we expect to be used to continue our stock repurchase program.

We invested approximately 15.4 million in capital expenditures during the fourth quarter and approximately 81.2 million for the full year. The 81.2 million compares to earlier guidance of 85 million for the full year. The investments during the fourth quarter were made in the following areas -- long distance, .7 million; cable and entertainment, 5.9 million; local services, 4.3 million; Internet Access Services, 1.7 million; satellite broadband, .8 million, and administrative support, 2 million.

Capital expenditures requirements beyond approximately 25 million per year in maintenance capital are largely discretionary in nature. We currently expect that our capital expenditures requirements for 2006 will remain in the $85 million range, depending on available opportunities and the amount of cash flow we generate during the year. In order to accomplish our free cash generation goals, we will need to hold the CapEx to approximately that level.

To recap our cash sources and uses on a simplified basis, we generated approximately 152 million in EBITDA with no increases in debt for total sources of about 152 million. Uses of cash included interest expense of 34 million, CapEx of 81.2 million, common and preferred stock repurchases of 22.2 million and refinancing and capital lease termination costs of approximately 4 million, leaving approximately 10.8 million left over, which is close to the 12.9 million increase in our cash balance from year-end '04 to '05.

Assuming we generate 152 million in EBITDA for 2006 and spend approximately 34 million on cash interest expense and invest 85 million in CapEx, we would generate an additional 33 million available for other items, including additional share repurchases. Approximately 160 million of our 476.5 million in debt is floating. Our cash interest at current rates is now running at approximately 34 million per year compared to the last two quarters normalized annualized cash flow of approximately 147 million, which excludes the 7.5 million net settlement benefit. Our cash interest coverage is approximately 4.32 times, and our leverage at year-end on net debt is just over 2.94 times cash flow. On gross debt, our leverage is 3.24 times.

In conclusion, we're very pleased with what we accomplished during 2005, and we're looking forward to the opportunities of 2006, particularly in light of our reorganization and its anticipated effect on our ability to better and more efficiently serve our customers.

We will now be happy to answer your questions.

## QUESTION AND ANSWER

**Operator**

(OPERATOR INSTRUCTIONS). Ian Zaffino, Oppenheimer.

**Ian Zaffino** - *Oppenheimer - Analyst*

A couple of questions here. The first one would be, what are you seeing as far as the competitive environment on the local front? I know for awhile it was relatively easy to take share. Is it still like that, or are you seeing any competitors fight back? If you could give us kind of a description of the environment there, that would be helpful. And then I have a couple of other questions.

**Ron Duncan** - *General Communication - President & CEO*

Okay. This is Ron Duncan. I will try that one. I don't think there is a lot of change in the wired local environment. The share growth obviously slows down as we get to the 50% level. It is kind of stable at that level in Anchorage now. We continue to experience slower share growth in Fairbanks in Juneau but towards that level. And I would not characterize anything as a substantial change in the tenure of the wired competitive environment in the last 12 to 15 months. The competitive environment is intense on the wireless front with both ACS and CellOne being aggressive and GCI now being aggressive in that space as well. I would say that is where most of the competition on the consumer front is playing out at this point.

**Ian Zaffino** - *Oppenheimer - Analyst*

All right. And then on the DLPS front, how is -- when do you anticipate all of your customers being transitioned over to that? What is the timeframe of that, and what is kind of the gating factors we should be looking for?

**Ron Duncan** - *General Communication - President & CEO*

We would expect almost all customers in the new service areas to be rolled out on our own facilities. We will convert another 20,000 loops, mostly in Anchorage this year. I don't have a precise number, but I would say within another two and a half years, we will be mostly on our own facilities. There will be some residual loops depending on the regulatory structure, but most of the facility transition would be complete by the end of the construction season of '08.

**Ian Zaffino** - *Oppenheimer - Analyst*

Given the attractive economics of transitioning your customers over to DLPS, why not do it sooner?

**Ron Duncan** - *General Communication - President & CEO*

There are simply capacity constraints in the system of how fast you can do it. You would have to manage the migration in the face of the fact that there are existing customers on the network, and you cannot take the entire network down to go through and make the changes and then put -- implement the new technologies. We cannot just knock all of our customers in a given segment of town off of the year for two weeks while we upgrade the plant. So there are simply some process constraints we have to work our way around to get the upgrades in place, put the powering in, install the boxes on the side of the house, coordinate with the customer when necessary for a premise visit to make the conversion. And even with a Chinese Army approach and bringing in a bunch of outside trucks, there would be a limit to how we could, but -- how fast we could go, but we have elected to do it mostly with our own workforce and at a pace that minimizes customer disruptions.

**Ian Zaffino** - *Oppenheimer - Analyst*

And then our final question here on the share buyback. I know you have ample cash flow to potentially increase that from your $20 million a year. Any intentions to do that, and what are your thought there?

**Ron Duncan** - *General Communication - President & CEO*

I think Mr. Lowber just announced an increase in that. We said we intend to maintain the 5 million a quarter net buybacks and that the board offer authorized a supplement of an additional $10 million in the first half of the year. So, under our current expectation, we would repurchase at least 30 million in '06, and we reserve the right to reevaluate the ordinary quarterly run-rate in the middle of the year. We're sitting on $44 million in cash coming into the year. The board decided to use 10 million of that for supplemental repurchases, while maintaining that 5 million a quarter run-rate, so clearly we're stepping it up on an annual basis. Whether it will go above 30 million this year remains to be seen.

**Operator**

Anthony Klarman, Deutsche Bank.

**Anthony Klarman** - *Deutsche Bank - Analyst*

A couple of questions. First, just from a competitive response perspective, I was wondering if you can comment on what type of pushback or maybe even call it a win back strategy you might have seen in response to your DLPS conversions? Have you seen win back targets coming from ACS, and have you sensed as to how successful they might have been in that, and what has the initial response been now that you have some customers who have had DLPS for a couple of quarters? Any kind of technical items that are still getting ironed out?

**Ron Duncan** - *General Communication - President & CEO*

We have not seen any evidence of a targeted win back for customers in the postconversion mode, and the last time we looked at this, we had slightly higher customer retention on our own facilities than we did on the rented copper loops. There is obviously a marketing effort that goes on on the part of both companies to sell local phone service to all players in the market on a general basis, but we have seen nothing specifically targeted at DLPS and no real significant initiatives on the wired front. There are bundling initiatives on both sides. Often ACS' bundling initiative is tied to wireless. Ours are usually tied to Internet or sometimes the video side of the business. But I would characterize the wired local business as consistent with the trends of the last two years.

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**Anthony Klarman** *- Deutsche Bank - Analyst*

I'm trying to remind myself if you guys have quantified previously what you sort of spend on UNE in a year and what savings that might ultimately be when you get to your, whatever, 80 or 85% total conversion rate by '08, what that is going to save you in cost to the ILEC?

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**Ron Duncan** *- General Communication - President & CEO*

I think that we have stated in the past that we were spending something on the order of $30 million a year all-in with ACS, and that it was reasonable to expectto recover 75 to 80% of that.

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**Anthony Klarman** *- Deutsche Bank - Analyst*

John, I think the number you had talked about on Alaska Digi-Tel, if I heard correctly, was 29.5 million in terms of the investment. Is that -- how do you guys think about that investment longer-term as the landscape? It sounds like it's almost a little bit of a hedge strategy assuming the resell arrangement with Dobson does not go as well as you can expect. Why make the investment now given that it sounds like at least the initial trial that you are in where the results you're getting from the Dobson resell arrangement seem to be proceeding relatively well, why take the step now to sort of perhaps increase your options with Alaska Digi-Tel?

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**Ron Duncan** *- General Communication - President & CEO*

Mr. Lowber is pointing at me on that one with a big smile on his face.

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**John Lowber** *- General Communication - CFO*

I will answer the first part, but yes, the 29.5 is the number.

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**Anthony Klarman** *- Deutsche Bank - Analyst*

I'm assuming that also you were excluding that from your free cash flow analysis for year-end, so your number was not including that 29.5 in like a CapEx number. That was really just a base CapEx?

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**John Lowber** *- General Communication - CFO*

That is correct. That is supplemental to the 85 that we talked about, and I will let Ron talk about the strategic side of that.

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**Ron Duncan** *- General Communication - President & CEO*

I think a hedge would be a fair characterization. In the long run, we need to own a wireless asset, and we have stated our preference to acquire the Dobson wireless asset. But we are not guaranteed to be able to achieve that objective, and we don't want to be completely without facilities in the wireless business were that to transpire. The clear preference in the objectives we are working for are to acquire the Dobson asset if and when that is possible.

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**Anthony Klarman** *- Deutsche Bank - Analyst*

And would there be any regulatory hurdles that would be brought up since you would have I guess in some means substantial -- if that were to happen, you would have substantially consolidated the wireless market in Alaska. Would there be any legal or regulatory hurdles that might prevent you from doing that?

**Ron Duncan** - *General Communication - President & CEO*

There are legal and regulatory hurdles that get in the way of about everything we do. We have -- I think we would be very willing to divest the Digi-Tel asset if it was necessary to accomplish the Dobson transaction.

**Anthony Klarman** - *Deutsche Bank - Analyst*

Okay. And not knowing much about Alaska Digi-Tel, I guess I'm just wondering how much of an investment will that require going forward, assuming that Dobson does not make that asset available for awhile? How much further investment will you need in Alaska Digi-Tel to kind of achieve what you want to achieve there, or is it really just going to continue to be almost a more passive ownership interest?

**Ron Duncan** - *General Communication - President & CEO*

Our expectation is that Alaska Digi-Tel will be a very passive investment, and once the transaction closes, it should not require any additional GCI investments unless and until we exercise our option to acquire whatever percentage would be approximately 20% that we're not acquiring in the initial transaction.

**Anthony Klarman** - *Deutsche Bank - Analyst*

And just for accounting purposes, will you -- will there be any -- is there any debt at Alaska Digi-Tel that is because of consolidation rules you will have to then show on your balance sheet?

**John Lowber** - *General Communication - CFO*

Yes, we will be consolidating, and yes, there will be some debt. And I think after the transaction closes, they will go out and finance themselves on their own, and I think the numbers we are looking at are somewhere around 15 million all-in.

**Operator**

Ted Henderson, Stifel Nicolaus.

**Ted Henderson** - *Stifel Nicolaus - Analyst*

You mentioned that next year the 20,000 DLPS conversions are expected to primarily reside in Alaska. I'm assuming the 22,000 migrated customers also are in Anchorage. Could you comment on any movement or timing migrating the Fairbanks and Juneau markets and how that is progressing?

**Ron Duncan** - *General Communication - President & CEO*

We expect to be turning up on our own facilities in both Fairbanks and Juneau this year. The nature of the construction process, particularly in Fairbanks, as it occurs over the summer and the turnouts will occur in the latter part of the year. So that they would not be a material portion of that 20,000, although they should be converting at a full run-rate by the first part of next year. So --

**Ted Henderson** - *Stifel Nicolaus - Analyst*

That is Fairbanks? That is a later part of the year?

**Ron Duncan** - *General Communication - President & CEO*

Yes, Fairbanks and to some extent Juneau. The bulk of the 20,000 will likely come out of Anchorage. Some of them may be in the Matanuska Valley if we successfully get turned on there in the middle of the summer as the current regulatory environment would lead us to expect. And then others should come out of Fairbanks in Juneau in the last half, maybe the last quarter of the year.

**Ted Henderson** - *Stifel Nicolaus - Analyst*

Of the 215,000 homes that you pass with cable infrastructure, how many homes are you able to offer local phone service to right now?

**Ron Duncan** - *General Communication - President & CEO*

Well, we have the regulatory authority as of several weeks ago to offer it to all of those homes. We don't have interconnection agreements with the local phone companies other than in the Anchorage, Fairbanks, Juneau and the Matanuska Valley. That is likely to be the pacing item. I expect the facilities to be in place and the plant to be upgraded for probably 90% of those 215,000 homes by the end of this year, the balance by the first half of next year, and my anticipation is that the pacing item for deployment beyond Anchorage, Fairbanks, Juneau and the Matanuska Valley will be the --

**Ted Henderson** - *Stifel Nicolaus - Analyst*

Interconnect.

**Ron Duncan** - *General Communication - President & CEO*

-- the speed at which we're able to achieve interconnection, and I would not encourage you to be terribly optimistic there. This is turning out to be a knock down, drag out fight telephone company by telephone company.

**Ted Henderson** - *Stifel Nicolaus - Analyst*

I bet. Okay. Thank you.

**Operator**

James Lee, America's Growth Capital.

**James Lee** - *America's Growth Capital - Analyst*

Can you just comment on what the status is for the new pipeline project? Where are we on that process and any visibility as to when the project will be started?

**Ron Duncan** - *General Communication - President & CEO*

Well, if I could really comment on that with great accuracy, I would probably be a lot more popular in Juneau these days. I think there has been a tremendous play in the press lately if you are following the Alaskan newspapers at all, you know that the Governor announced that he has an agreement in principle with the three resource owners. He has presented the Legislature with a revision to the oil tax, which is proposed as the first step towards the gas contract. The gas contract itself has not been made public yet. The Legislature is at the front end of the process of evaluating the Governor's proposals.

If it go as Alaskans would hope, I would anticipate that before this session of the Legislature adjourns sometime in May, that the contractual issues would be resolved, and we would be on an implementation process, which would lead to construction sometime in the next several years. I think it is consistent with the time lines that we have laid out in the past. There is still political uncertainty surrounding what happens in Juneau.

**James Lee** *- America's Growth Capital - Analyst*

Great. Can you also give more color on the Dobson resell program? I joined the call a little bit late, so I apologize if somebody has asked this question. Have you given the number of subscribers you have as of Q4, or any type of revenue numbers associated with wireless?

**Ron Duncan** *- General Communication - President & CEO*

I think John --

**John Lowber** *- General Communication - CFO*

Yes, we did. Rather than go through them again, we will just have Bruce call you and give you that stuff off-line if that will work for you.

**Operator**

Jonathan Schildkraut, Jefferies.

**Jonathan Schildkraut** *- Jefferies - Analyst*

I had a couple of questions. The first was on USF. You noted in your release that USF increased on the local side, and you may have mentioned it on the call. I kind of broke up during the review of local business. I was wondering how big that increase was and what it was related to? If we could give just a little color there.

**John Lowber** *- General Communication - CFO*

All right. Well, I guess all-in for the local business, the USF element is running about 6.5 million or close to it per year. And over the -- as the years progress, as the quarters progress, it seems like the rates keep going up. When we get data that indicates that the approval rate should be adjusted, then we make those adjustments. And consistent with last year, I think we had a true-up in Q4 of last year. This year again in '05 we had another true-up where we based on the new rates and our projections we increased the accrual by I think it was around $1 million in out of period revenues, which if you went back, they really belonged a little bit in Q1 and a good portion of it in Q2 and a good portion in Q3, and then, of course, the fourth-quarter portion was not out of period.

So it got a nice bump. A year ago you would have seen the same thing. I think we talked about it a year ago. But it is getting to be an increasing amount of the local business, and certainly it is a noticeable -- has a noticeable effect on the results for Q4 here.

**Jonathan Schildkraut** *- Jefferies - Analyst*

Great. You mentioned I know that I guess we are trying to get at this in different ways, but I was wondering how many access lines will open up to the company as they move into some of these new markets and kind of the timing of those markets opening up? Obviously you cannot give us precision there, but in general?

**Ron Duncan** *- General Communication - President & CEO*

The first market to open up should be the Matanuska Valley, which is 60,000 plus. Ketchikan might be after that, which is 10,000? Is that about right? 10 or 12,000 access lines. Kenai Peninsula probably 35, 40,000 access lines. Then you start to get down into the sub 10,000 range by study area. Collectively for access lines yet to be opened probably close to 200,000 lines that we don't address today that we will address at the end of the process, which depending on interconnection agreements could be the middle of next year.

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**Jonathan Schildkraut** - *Jefferies - Analyst*

All right. Great. The last thing is just a data point. You mentioned what the remaining MCI credit was. It sounded like you said 370.

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**John Lowber** - *General Communication - CFO*

Yes, 370,000.

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**Jonathan Schildkraut** - *Jefferies - Analyst*

Okay. That is up then from last quarter?

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**John Lowber** - *General Communication - CFO*

It should have been used last quarter but did not, so it carried forward into this quarter.

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**Jonathan Schildkraut** - *Jefferies - Analyst*

Last quarter's quote you said it was 324.

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**John Lowber** - *General Communication - CFO*

Okay. Well, you are right, it is up.

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**Jonathan Schildkraut** - *Jefferies - Analyst*

Thank you.

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**John Lowber** - *General Communication - CFO*

The right number probably then was probably a 370.

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**Ron Duncan** - *General Communication - President & CEO*

Nice note this morning, Jonathan, too. Thank you.

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**Operator**

Ari Moses, Kaufman Brothers.

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**Ari Moses** - *Kaufman Brothers - Analyst*

Two things I want to discuss. One, John, your comments you were discussing the -- I guess the data service and then the broadband components of the LD segment, but have those -- it looks like they have kind of plateaud. I was wondering if you could kind of address that as far as what you're seeing in that business? Is this a plateau where it is really going to be kind of a slow grower going forward, or was this a temporary topic, a temporary indicator?

Secondly, if you can just discuss some of the details or some color behind the agency settlement, exactly what the reserve had been for, how the accounting process worked that you recorded the 7.5 in the quarter?

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**John Lowber** - *General Communication - CFO*

Okay. Well, to answer your first question, the numbers that I gave you really are made up of really for major categories. It is the -- I mentioned the broadband. That is the satellite broadband that goes out into rural Alaska. We also have revenues that we get from the fiber that runs along to the North slope and then our other Alaska United fibers and some data revenues. And if you look at all those, they are pretty much up -- all accept the broadband are pretty much up year-over-year and looks like sequentially as well.

So what I focus you on was the satellite broadband where we have got really almost 70% market share of a service into the rural health centers and the schools. We have been very successful in that area, and there are others that want to get into that game. And so to maintain our share and to hold off competition, we have had to drop our rates in that area. So we're seeing some rate compression in that satellite broadband arena, which is effecting that category as a whole.

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**Ron Duncan** - *General Communication - President & CEO*

So I think the school access cycle we have pretty much been through that and gone through the renewal process, so we know where we stand there. So at least we've got a good feel for that. We did real well in the renewals, so that -- although it is declining, I think that we've got a good feel on where it's going this year. We may see further declines, but it is going to be a multiyear process rather than anything dramatic in the near-term.

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**Ari Moses** - *Kaufman Brothers - Analyst*

Okay. So looking at the LDS segment, it has been performing nicely the last few quarters. You noted this quarter specifically the increase in wholesale carrier minutes. Is that kind of forming a trend? Are we seeing that business really -- it sounds like more traffic is just coming into the state?

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**Ron Duncan** - *General Communication - President & CEO*

Yes, it is kind of interesting because there was a period there when the carrier business was anemic and the broadband and the data and the private lines were really the growth area that was helping mask some of the weakness in the LD. That has kind of flipped around now, and the carrier business has been very robust ever since about March of last year. And then we're seeing weakness now in the satellite broadband. But we think that the carrier business, there is no reason to think that it is not going to hold up and continue to do well. We have got the best distribution facilities in the state and competitive rates and the key customers mostly under contract. So we feel pretty good about that side of the business for this year.

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**John Lowber** - *General Communication - CFO*

I think core growth in Enterprise data continues consistently with the trends we have seen over the last several years. We are seeing clear price compression as John said in the satellite broadband business, and we have one or two other large customer contracts that are likely to see some price compression this year, particularly on the Prudhoe Bay route, but nothing that would lead us to suspect that core growth in the Enterprise data IP market was different from what we have seen in the past.

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**Ari Moses** - *Kaufman Brothers - Analyst*

Okay, and on the AT&T settlement --?

**Ron Duncan** - *General Communication - President & CEO*

That is pretty straightforward. We settled several issues. The gross amount was 9.1 million in cash coming in. Against that we had about 1.7 million in costs. So if you want to look for it in the income statement, the 9.1 really was a refund of what we should not have been paying in terms of distribution costs. So it is really a credit to the distribution costs was the right category to put it in. And then the 1.6 or whatever it is to get down to the 7.5 shows up as in the G&A cost. So it's really those two components, and to peel them out, you would have to back out 9.1, and you have to add that back to LD COGS and add in another 1.6 or 7 -- excuse me, back out 1.6 or 7 out of G&A to normalize it.

**Ari Moses** - *Kaufman Brothers - Analyst*

Okay.

**Ron Duncan** - *General Communication - President & CEO*

Does that help?

**Ari Moses** - *Kaufman Brothers - Analyst*

Yes, it does. And the last question, obviously starting next quarter from our perspective, the data we're going to be getting, we will start seeing the restructuring, the new mythology of reporting segments, how, as we kind of make that transition to thinking about the business along these different lines, how should we be thinking about it going into the first quarter? How should we be -- obviously this quarter continued along the path of giving off all the data on the various segments. What is this transition going to look like from a reporting basis from an analytical basis as far as what will we have and what won't we, and kind of what help can you give along that line to help us get ready?

**Ron Duncan** - *General Communication - President & CEO*

Well, that's a tough one because basically you have got to throw out your models and start all over again. And I guess the way that I would approach it is to go into the historical silos there and try to make a cut on how much of that belongs in each one of these categories, and I think we can help you there. We can look at your models and give you some feedback and stuff. But you are basically going to have to recast it along the lines that we talk about. And without any historical comparability and stuff, it is going to be a real dilemma for you.

So I think you're going to be at kind of a disadvantage until we get the first quarter behind us, and you can see kind of the cuts that we are making and so on. But I sympathize with plight right now.

**Ron Duncan** - *General Communication - President & CEO*

We will probably make some significant effort right after we announce the first quarter to help you guys understand the transition. There will be a lot of data in that first quarter that let's you compare the old form to the new form, and we have not decided for sure yet, but there may be some sort of an analyst meeting or investor meeting following the first quarter to help you digest the conversion from one to the other so that you can figure out how to revamp your models going forward. I don't think we're in a position to do that prospectively, but I think that once we have that first-quarter data out there, we will be able to sit down and put together something that will let you map out the rest of the year. From there, your models are not -- we've commented on specific models in the past, but your models are not out of line in general with respect to the macro results for the year. You are just going to have a little bit difficulty with the segment analysis until the first quarter is on the table.

**Ari Moses** - *Kaufman Brothers - Analyst*

All right, understood. Thanks, guys.

**Operator**

James Kern, Regiment Capital.

**James Kern** - *Regiment Capital - Analyst*

Two questions. One is just on wireless in general. I think you talked about 16,000 subs at the end of the year. That clearly does not include the Digi-Tel subscribers, but can you just give us a sense of what you expect your subs to be at the end of 2006? Given the level of competition, just directionally do you think ARPU is going to be higher?

And then the second question, given the success you have sort of had in becoming more facilities based in the transition, at what point does a dividend factor in versus share repurchases?

**John Lowber** - *General Communication - CFO*

Do you want to do the second one first, Ron?

**Ron Duncan** - *General Communication - President & CEO*

Okay. We will take dividends first. At this point I don't have any reason to reconsider the strategy of the share repurchases. We discuss this at almost every board meeting. The board has authorized an increased amount of share repurchases for the initial period or for this year's period, and we are comfortable with that strategy given the current situation, which is a multiplier of less than seven times currently expected EBITDA, and we believe there is adequate availability of shares in the market to allow us to carry out the repurchase program.

I think that we have to continuously look at that. If the multiple on the EBITDA got up to a range that we felt was consistent with or above market levels, that might be a factor leading to a reconsideration of the strategy, or if the availability, the ability to buy shares without materially driving the stock price were to change, we would have to reconsider, but I would not expect either of those things to happen in the short-term.

**John Lowber** - *General Communication - CFO*

Okay. Back to wireless, I guess the internal goal is to add 20,000 subs during the year.

**James Kern** - *Regiment Capital - Analyst*

Not including Digi-Tel?

**John Lowber** - *General Communication - CFO*

Not including Digi-Tel, that is correct. And in terms of ARPU and so on, I think with our resell agreement, it is not a big driver of EBITDA, but we will see some positive EBITDA from that. It will be a good growth area for us. But I cannot tell you off the top of my head what we are expecting in terms of ARPU, and I am hesitant to give you what we think the total impact on the EBITDA is going to be from wireless at this point.

**Ron Duncan** - *General Communication - President & CEO*

Do we have further questions?

**Operator**

We have no further questions at this time.

**Ron Duncan** - *General Communication - President & CEO*

Okay. I guess we will cut it off, and we thank you very much for your participation. We will look forward to talking to you in May.

**John Lowber** - *General Communication - CFO*

Thank, you all.

**Operator**

Thank you for joining today's teleconference, and you may disconnect at this time.

# Exhibit 2

**STATE OF ALASKA**

**THE REGULATORY COMMISSION OF ALASKA**

Before Commissioners: Kate Giard, Chairman
Dave Harbour
Mark K. Johnson
Anthony A. Price
James S. Strandberg

| | | |
|---|---|---|
| In the Matter of the Investigation Into the On-Going Compliance of General Communication, Inc. With AS 42.05.241 with Regard to Study Areas Certificated in Docket U-05-4. | ) | U-06-023 |

## GCI MOTION TO DISMISS PETITION

## INTRODUCTION

GCI Communication Corp. d/b/a General Communication, Inc. and GCI ("GCI") hereby moves for a dismissal of the above-captioned petition on the grounds that the filing is a sham and there is nothing to investigate. ACS claims that "new evidence has surfaced that casts grave doubt on GCI's fitness, willingness and ability to serve in the manner GCI repeatedly represented in its Application and on which the RCA relied in granting the amendments to GCI's Certificate of Public Convenience and Necessity No. 489." ACS Petition at 2. This "new evidence" is simply the fact that GCI has requested and discussed obtaining services under section 251(c) with ACS as well with other LECs in interconnection negotiations. This fact, which GCI fully admits, does not establish any impropriety, misrepresentation, or a violation of certificate conditions by GCI

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that would remotely justify an investigation let alone a suspension of GCI's recently approved certificate amendments.

This "new evidence" does not change anything with respect to the assumptions under which the Commission approved GCI's certificate amendments. As GCI has repeatedly explained in Docket U-05-4, GCI's Application did not and still does not depend on access to interconnection services under section 251(c). ACS (and the Rural LECs similarly in their petition for reconsideration filed in Docket U-05-4) has seriously misconstrued and twisted this representation. What this representation means simply is that GCI demonstrated its ability and fitness to serve the areas set forth in its Application without access to interconnection services under section 251(c). What it does not mean, however, is that GCI in any waived its right to request such services or to exercise any other right under the Communications Act in the future to improve its ability to effectively compete with ACS or any of the rural LECs. The "new evidence" ACS proffers does not cast any doubt on GCI's ability or willingness to serve; it only demonstrates that GCI is exploring certain legal rights under the Communications Act it continues to retain.

For the additional service areas that GCI agreed to serve, which the Commission imposed on GCI in Order U-05-4(6) to protect the rural LECs, GCI was not required to and did not make any representations regarding how it would provide service. Thus, the "new evidence" ACS relies on its petition is completely irrelevant to these service areas.

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To be blunt, the ACS filing is shameless.[1] It essentially repeats the same inaccurate claims and mischaracterization of GCI's Application that are the subject of the petition for reconsideration filed by Interior Telephone Company, Inc., Mukluk Telephone Company, Inc. and United-KUC (RLECs) in Docket U-05-4 on February 21, 2006, which is pending before the Commission. ACS, just like the RLECs, is looking for any conceivable reason (no matter how far-fetched or groundless the claim may be) to frustrate GCI's efforts to expand local competition in the state. The RCA must act swiftly and put a stop to these sham filings.[2]

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[1] This filing puts into a deep freeze (beyond a chill!) any negotiation or settlement talks that GCI had contemplated pursuing with ACS. ACS has made it clear that it will not negotiate in good faith.

[2] While GCI has often considered the possibility of filing a petition for revocation of ACS' certificate for genuine and compelling reasons relating to ACS' efforts to frustrate competition (*e.g.* refusing to provide non-discriminatory service to GCI customers, Docket U-02-97, refusing to abide by its Carrier of Last Resort Obligations, Docket U-01-37, improper waiver of tariff charges to induce customers to switch, Docket U-01-43, improper and deliberate sabotage of GCI lines through the use of RF filters, discussed in Docket U-96-89), GCI exhibited restraint and refrained from taking such action. The present filing by ACS, however, will open a new chapter on such filings if the RCA countenances such misuse of its process as that exhibited by ACS' petition. If the RCA accepts the meritless claims by ACS as a basis to investigate or suspend GCI's certificate, GCI will be motivated to "take the gloves off" and pursue

## ARGUMENT

### I. GCI HAS NEVER WAIVED LEGAL RIGHTS UNDER THE COMMUNICATIONS ACT, AND THE COMMISSION DID NOT IMPOSE CERTIFICATE CONDITIONS FORCING GCI TO SURRENDER SUCH RIGHTS

Distilled to its essence, ACS claims that GCI represented to the Commission in its Application in Docket U-05-4 that it would serve the 10 study areas exclusively over its own facilities or in combination with resale at retail and not seek any interconnection services under section 251(c). ACS Petition at 4-11. ACS reasons that "new evidence" regarding GCI's efforts to merely discuss services under section 251(c) with various LECs, including ACS, therefore, "casts doubt" on GCI's ability to serve and is contrary to representations made to the Commission. The defect in this reasoning is that GCI never represented that it would waive any of its rights under the Communications Act, and the Commission did not impose (nor could have imposed) certificate conditions forcing GCI to surrender such rights.

When GCI first filed its Application in Docket U-05-4, it presented its plans for providing service to the requested service areas over a 5-year time frame with more of a conceptual rather than a specific discussion of exactly how service would be provided. GCI provided a conceptual discussion based on the fact that telecommunications technology is constantly evolving and in view of this fast-paced environment future deployment of service may differ from any specific

similar remedies against ACS but on grounds far more substantial and genuine than

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plans GCI has today. Additionally, when GCI filed its application, it did not want the Commission's review to be diverted by the RLECs (who are always looking for any reason to slow-roll competitive entry to preserve their monopoly status) to irrelevant, tangential issues relating to the rural exemption. Accordingly, GCI explicitly explained to the Commission that its Application did not depend on access to services under section 251(c). GCI explained that:

> GCI will offer service in these new areas using a combination of methods. To a large extent, GCI will deliver "cable telephony" services over its existing cable systems in these areas. GCI may also employ wireless systems and resale of other carriers' services. ***When and where available in the future, GCI may also use unbundled network elements and "wholesale resale" from incumbent local exchange carriers.*** However, this application is not dependent on the availability of unbundled network elements, wholesale resale, or a decision by the Commission on whether or not the affected local exchange companies have or should retain a rural exemption.

GCI Application at 3-4 (emphasis added). What this representation simply meant is that GCI's Application should be (and ultimately was) evaluated on the basis of its ability to provide service without access to interconnection services under section 251(c). This representation, however, did not mean that GCI in any way waived or disavowed its rights under the Communications Act to seek 251(c) services in the future. On the contrary, as noted in the bold-faced language above, GCI specifically reserved such rights.

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those presented by the ACS petition.

In response to GCI's Application, as ACS recites in its petition, the Commission and its Staff subsequently sought greater specificity from GCI with respect to exactly how service would be provided. On March 22, 2005, GCI accordingly provided the Commission with greater specificity explaining exactly how service would be provided if immediately deployed today. As GCI explained:

> Finally, GCI's application described plans for providing service with an understanding that with the fast pace of change in the telecommunications industry, actual installations in the future are likely to differ from any plan set out today. ***GCI now recognizes that it should simply describe how service would be provided if the plan could be implemented immediately, recognizing that circumstances may change before service is actually installed.***

GCI Letter dated March 22, 2005 at 2 (ACS Exhibit E) (emphasis added). In providing greater specificity regarding exactly how GCI would provide service "immediately," GCI did not discuss section 251(c) services because GCI does not presently have access to such services (with the exception of Ketchikan Public Utilities, which has voluntarily forfeited its rural exemption by virtue of its decision to compete in the video programming market). GCI's explanation was consistent with its request that the Application be reviewed and evaluated without regard to GCI's access to services under section 251(c).

Incredibly, ACS argues that the specificity GCI provided in response to the Commission's questions about how service would be immediately provided today amounts to a representation by GCI that it would never request services

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under section 251(c) in the future. This extrapolation by ACS is absurd. GCI never departed from its reservation of rights set forth in its initial application filing nor subsequently made any statement to the effect that it would be willing to waive any of its rights under the Communications Act in the future, including the right to seek services under section 251(c), or the right to obtain ETC status under section 214 in the future to more effectively compete with the various rural LECs and improve its ability to extend service to rural consumers. ACS' claim that GCI has "misled" the Commission is based on its own fanciful and unsupported interpretation of the record.

ACS' "misrepresentation" claim is particularly inapt for the additional service areas the Commission imposed on GCI in Order U-05-4(6) to protect the RLECs. For these additional areas, GCI made no representation regarding exactly how service would be provided and similarly did not in any way waive any rights under the Communications Act. On the contrary, GCI explicitly reserved all such rights when it submitted its acceptance of the additional service area requirements. *See* Compliance Filing dated February 24, 2006 filed in Docket U-05-4.

Notably, when the Commission approved GCI's Application in Order U-05-4(1) and U-05-4(6), it did not attempt to impose any conditions restricting GCI's rights under the Communications Act.[3] Thus, ACS' claim that GCI is

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[3] Frankly, GCI does not believe the Commission could have imposed certificate conditions forcing GCI to surrender any of its rights under the Communications Act. Any such attempt, at a minimum, would have violated section 253's prohibition on erecting barriers to competitive entry. As explained in GCI's Opposition to the

refusing to accept the RCA's conditions, ACS Petition at 15, plainly is nuts. ACS is trying to manufacture new conditions to restrict GCI's rights under the Communications Act that do not exist. There is no evidence that GCI has violated any of the genuine certificate conditions set forth in Order U-05-4(1) and U-05-4(6). On the contrary, GCI is and remains fully willing to comply with the conditions set forth in these orders.

At bottom, GCI's recent efforts to explore and discuss the potential for obtaining section 251(c) services with the various LEC are not contrary to any representations made to the Commission, do not violate any of the conditions in the recently approved Certificate amendments, and are not in any other way improper. GCI continues to retain all of its rights under the Communications Act, including the right to seek services and elements under section 251(c) from any of the rural ILECs or to seek a termination of their rural exemptions to obtain such services, and the right to apply for ETC status in the future.

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## II. GCI's ETC PLANS ARE IRRELEVANT AND PROVIDE NO BASIS TO INVESTIGATE OR SUSPEND GCI'S CERTIFICATE AMENDMENTS

ACS also argues that there is "new evidence" demonstrating that GCI has plans to file for ETC status and that this "raises additional questions regarding both the short term and long term viability of GCI entering any of these markets." ACS

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RLEC's Petition For Reconsideration filed in Docket U-05-4, the Commission went as far as it legally could go under section 253(f) to protect the Rural LECs by imposing additional service area requirements on GCI.

Petition at 17. This "new evidence" is as unavailing as the "new evidence" ACS presents regarding GCI's efforts to discuss services under section 251(c).

As explained above, GCI has never made any representation to the Commission that it would waive any of its legal rights under the Communications Act. That GCI may seek ETC status in the future to improve its ability to extend new services to consumers and to more effectively compete with ACS or any of the other LECs does not "cast doubt" or "raise questions" about GCI's ability and willingness to fulfill its certificate obligations. GCI demonstrated its fitness to serve without regard to access to universal service funding. This does not mean, however, that GCI would not be entitled to and should not receive universal service consistent with the goals and the principles of competitive neutrality in section 254 in a future ETC proceeding. For the additional service areas GCI agreed to accept, this is particularly true given that the Commission imposed additional service area requirements on GCI in Order U-05-6(6) in order to ensure that there is fair competition between GCI and the rural LECs. Clearly, for competition to be fair, GCI must also have access to universal service funding.

The Commission previously rejected ACS' attempt to drag ETC issues into the certification proceeding. Order U-05-6 at 16. ACS' attempt to open an investigation of GCI's compliance with its certificate conditions based on GCI's plans to seek ETC in the future is crazy: there plainly are no certificate conditions prohibiting GCI from seeking ETC status in the future. This is yet another wild and

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frivolous attempt by ACS to create restrictions on GCI that do not exist and could not, in GCI's view, even be lawfully imposed on GCI.

## III. THERE IS NOTHING TO INVESTIGATE AND NO LEGIMATE REASON TO SUSPEND GCI'S CERTIFICATE

As explained above, there is no "new evidence" demonstrating that GCI has violated any certificate conditions or "misled" the Commission. The "new evidence" simply demonstrates that GCI is exploring certain legal rights under the Communications Act that it never waived.

Under the terms of the orders approving GCI's certificate, GCI has five years within which to deploy service to all customers in the 10 study areas. During this time, the Commission will monitor GCI's progress toward fulfilling its obligation to provide service over the 5 year time frame, and GCI is required to submit quarterly reports on its progress in this regard. GCI understands fully that it is obligated to meet its certificate obligations to offer service to all customers in the ten study areas within the five year time frame irrespective of whether it has access to services under 251(c). Nonetheless, GCI has the right under the Communications Act to explore the possibility for obtaining services under section 251(c) and the right to petition for ETC status in the future. The ACS petition does not provide any legitimate grounds to investigate GCI's fitness to provide service and certainly no basis to suspend GCI's certificate. Simply stated, there is nothing to investigate.

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## CONCLUSION

For the foregoing reasons, the Commission should promptly dismiss ACS' frivolous petition. The filing is a sham. The evidence ACS proffers simply shows that GCI is exploring certain legal rights under the Communications Act that it never waived. In truth, the ACS petition essentially manufactures certificate conditions that do not presently exist (nor could even be lawfully imposed on GCI) in an attempt to disable GCI's rights under the Communications Act and hamstring GCI's ability in the future to extend service to rural consumers and effectively compete. Worse, the petition requests an investigation and even a suspension of GCI's certificate amendments on the basis of GCI's violation of these non-existent certificate conditions. As GCI bluntly stated at the outset, the ACS petition is shameless.

**DATED**: March 20, 2006

Respectfully submitted,

GENERAL COMMUNICATION, INC.

By: Martin Weinstein

Martin Weinstein
Regulatory Attorney

## VERIFICATION

I, Martin Weinstein, verify that I believe the statements contained in this pleading are true and accurate.

Martin Weinstein

Martin Weinstein

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**SUBSCRIBED AND SWORN** to before me this 20th day of March, 2006.

NANCY NEWELL NOTARY PUBLIC STATE OF ALASKA My Commission Expires:

Nancy Newell

Notary Public in and for Alaska

## CERTIFICATE OF SERVICE

I hereby certify that on the 20th day of March 2006, a copy of the foregoing was hand delivered to Ms. Lynn Erwin, attorney for ACS of the Northland, Inc., at 600 Telephone Avenue, Anchorage, Inc. Additionally, copies of the foregoing were mailed to:

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# Exhibit 3